



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3000 • Sacramento, CA 95811
(916) 322-5660 • Fax (916) 322-0886

February 19, 2021

Gina Biondo
Hines Securities, Inc
Compliance Director
2800 Poast Oak Blvd. Suite 4700
Houston, Tx 77056-6118

Re: Your Request for Advice
Our File No. A-20-115

Dear Ms. Biondo:

This letter responds to your request for advice regarding the lobbying disclosure provisions of the Political Reform Act (the “Act”).¹

Please note that we are not a finder of fact when rendering advice (*In re Oglesby* (1975) 1 FPPC Ops. 71), and any advice we provide assumes your facts are complete and accurate. If this is not the case or if the facts underlying these decisions should change, you should contact us for additional advice.

QUESTION

Must two affiliated private real estate funds that are sponsored and created by the same investment firm register separately as lobbyist employers if their sponsor employs a placement agent on behalf of itself and the affiliated funds or can they instead be identified on their sponsor’s lobbyist employer registration?

CONCLUSION

As long as the two affiliated private real estate funds are not involved with lobbying activity and do not make payments to the placement agent (lobbying firm), the sponsored real estate funds do not need to separately register as lobbyist employers.

FACTS AS PRESENTED BY REQUESTER

Hines Interests Limited Partnership (“Hines Interests”) is a privately owned global real estate investment, development, and management firm. Hines Securities is a broker/dealer

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

registered with the Securities and Exchange Commission and regulated by the Financial Industry Regulatory Authority (FINRA). Hines Interests is a registered lobbyist employer, employing Hines Securities, Inc. (“Hines Securities”) as its registered lobbying firm in California.

Hines Interests is launching two new affiliated private real estate funds, and Hines Securities will be the placement agent for those funds. Hines Interests will retain Hines Securities to seek investors for the two private real estate funds it sponsors by communicating with the California Public Employees’ Retirement System (CalPERS), the California State Teachers’ Retirement System (CalSTRS), the University of California Board of Regents, and other state agencies regarding investing state public retirement system assets on behalf of a state public retirement system. Hines Interests will direct and control the lobbying activities of Hines Securities and will reimburse Hines Securities for all California lobbying conducted on behalf of Hines Interests and its affiliated real estate funds. The sponsored real estate funds will not make any payments to Hines Securities, nor direct and control Hines Securities’ activities. Based on this arrangement, Hines Interests has renewed its lobbyist employer registration for 2021-22 to include Hines Interests “and Affiliates.” You ask whether Hines Interests’ two new private real estate funds must separately register as lobbyist employers and, if so, how.

ANALYSIS

The Act requires lobbyists, lobbyist employers, and lobbying firms to register with the Secretary of State and file periodic reports disclosing money spent to influence legislative or administrative action. (Sections 86100 et seq). Lobbyist employers specifically must file a Registration Statement (Form 603) and quarterly reports (Form 635) with the Secretary of State disclosing the total amount of payments to each lobbying firm, the filer’s lobbying interests, activity expenses, and any candidate or committee contributions of \$100 or more made by the lobbyist employer. (Section 86116; Regulation 18615.) Because the Act includes “placement agents”² in the definition of “lobbyist” when influencing an administrative action on behalf of an external manager, organizations that employ a placement agent are considered lobbyist employers. (See Sections 82039(a)(2), 82002(a)(2), and 82039.5)

In this case, you have indicated that Hines Interests is a lobbyist employer because it employs Hines Securities as its placement agent. The question is whether Hines Interests’ two new affiliated funds must each register as separate lobbyist employers if Hines Securities seek investors as a placement agent (i.e. lobbying firm) on behalf of the affiliated funds. We have previously advised that, where a corporation and its affiliated entity—such as a subsidiary—both make payments to the same lobbying firm, the corporation and its affiliated entity should file a single lobbyist employer report, listing the name of the filer to include both the corporation and its affiliated entity. For example if ABC Company has an affiliate, XYZ Subsidiary, the name on their lobbying report would be listed as: ABC Company and its affiliate, XYZ Subsidiary. (See, the *Brown* Advice Letter A-91-106, *Savage* Advice Letter, A-86-103, and *Leidigh* Advice Letter, I-92-635.)

² Sections 82047.3 of the Act defines a “placement agent” as an individual hired by an investment fund’s external manager to act as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of either securities or investment management services to a state public retirement system in California.

Where a corporation's subsidiaries are not involved with lobbying activity and do not make payments to the lobbying firm, we have advised that, even though the subsidiaries may benefit from the lobbying firm's services, the filer need not identify the subsidiaries. (*Burk* Advice Letter, A-04-154). Here, though Hines Interests' affiliates are not subsidiaries, the facts are analogous in that Hines Interests' affiliated real estate funds will not make payments to Hines Securities, nor will they control and direct its activities. Therefore, Hines Interests may file a single lobbyist employer registration and quarterly reports, listing the name of filer simply as: "Hines Interests Limited Partnership," identifying the affiliated real estate funds is not separately required.

If you have other questions on this matter, please contact me at (916) 322-5660.

Sincerely,

Dave Bainbridge
General Counsel

A handwritten signature in black ink, appearing to read 'Toren Lewis', with a stylized flourish at the end.

By: Toren Lewis
Counsel, Legal Division

TAL:aja